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April 5, 1999

BY HAND

Ms. Maura Callaway
Special Assistant
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Re: Beaulieu of America, Inc. (MUR 4879)

Dear Ms. Callaway:

As the Commission is aware, Mr. Bouckaert was not a party to the plea agreement between Beaulieu of America, Inc. ("Beaulieu") and the Department of Justice ("DOJ"), and is not bound by that agreement. Nonetheless, based solely on that plea agreement and the information (which does not name Mr. Bouckaert), the Commission voted to find that Mr. Bouckaert had committed "knowing and willful" violations of the Federal Election Campaign Act, and included him as a party to the proposed conciliation agreement. For the reasons described in this response

Respondents believe this finding against Mr. Bouckaert was based on assumptions not supported by the record or contrary to the facts. Indeed, almost no facts concerning Mr. Bouckaert's personal conduct (as distinct from the bare facts that he is CEO of Beaulieu of America and was a Co-Chair of the Alexander dinner) were known to the Commission at the time it made its findings in this matter. This is understandable because Mr. Bouckaert's personal conduct was not detailed in the plea agreement or information since he was not charged by the Department of Justice with any violation of federal law after their extensive year-long investigation.

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COMMISSION
OFFICE OF LEGAL
COUNSEL

We believe that the Commission may have drawn unfounded conclusions concerning Mr. Bouckaert's personal role from his presence and expression of remorse on behalf of the corporation at the sentencing hearing, and his willingness to engage in charitable community service brought on the company by the impermissible activity. However, as Beaulieu's General Counsel Bruce Bowers explains in his response (attached), a careful review of the company's records has disclosed no indication that Mr. Bouckaert authorized any of the reimbursements that occurred. To the contrary, as Mr. Bowers notes, some contributions to the dinner from corporate employees were never reimbursed, or submitted to anyone for reimbursement. Each of the several corporate officers who encouraged or authorized reimbursement of dinner contributions did so in a different manner, providing further proof that the reimbursements that did occur were not subject to central direction or control by Mr. Bouckaert. Furthermore, some corporate officials solicited for contributions to the Alexander campaign did not make any contributions whatsoever.

Mr. Bouckaert accepted responsibility for the company's actions because he is the founder and CEO of the company. In addition, Mr. Bouckaert's presence at sentencing was consistent with U.S. Sentencing Guideline 8C2.5(g), which encourages a CEO to take the lead in demonstrating that a corporation is remorseful and accepts responsibility for its actions. The Commission should not confuse Mr. Bouckaert's willingness to accept responsibility on behalf of the corporation with an admission of personal liability for a knowing and willful violation of the Federal Election Campaign Act.

To ensure that Beaulieu will never again violate the law, the company has now instituted a campaign finance compliance program. As part of this compliance program, Beaulieu has named a corporate compliance officer who reports directly to the General Counsel, and has instituted a confidential "hotline" for employees to comment on or question any area of corporate activity. At sentencing, the court referred to this compliance program as "a strong effort and a commendable effort to not further violate the law. . . ."

At present, the Commission is already in possession of a check from Beaulieu payable in the amount of \$200,000. Pursuant to the plea agreement, Beaulieu has an obligation to enter into the conciliation process, and would like to do so in order to settle this matter and appropriately demonstrate its regret and acceptance of responsibility. Respondents therefore urge the Commission to review the record in this Matter in light of the explanations and information contained in this response

Indeed, a comparable case before the Federal Election Commission suggests that a civil penalty for Beaulieu of America, Inc. would be a reasonable resolution of this matter. Just four months before Beaulieu entered its guilty plea, the FEC imposed a civil penalty on Sun-Land

Ms. Maura Callaway
April 5, 1999
Page 3

Products, a worldwide supplier of dried fruit and nuts. *See In re Sun-Land Products*, MUR 4772 (Aug. 3, 1998). In both 1992 and 1993, the Sun-Land Board of Directors approved a \$2500 stipend to be paid to each of its sixteen non-management Directors. The purpose was to collectively use these individual stipends in order to contribute to certain political campaigns and groups. The money was bundled and \$37,000 -- an amount similar to the contributions at issue here -- was contributed over a two year period. In 1992, \$16,000 was given to the Bush-Quayle '92 Primary Committee Inc. In 1993, \$21,000 was given to an organization known as Campaign America. The Department of Justice charged Sun-Land with two violations of 2 U.S.C. §441f. The FEC agreed to accept an \$80,000 civil penalty from the corporation. No individuals were charged by the Department of Justice or the FEC.

The present case is similar to *Sun-Land Products*, and should be resolved similarly. Please call me if I can be of any further assistance.

Sincerely,



Trevor Potter

Enclosure: Letter from Bruce E. Bowers, General Counsel, Beaulieu of America Inc. on behalf of itself and CEO Carl M. Bouckaert in MUR 4879

cc: C. Michael Abbott, attorney for Beaulieu of America, Inc.
Steven Cowen, attorney for Beaulieu of America, Inc.
Bruce Bowers, General Counsel of Beaulieu of America, Inc.
Anthony Cochran, attorney for Mr. Carl M. Bouckaert

ATTACHED IS A COPY OF A LETTER FROM BRUCE E. BOWERS, GENERAL COUNSEL OF BEAULIEU OF AMERICA, INC. IN MUR 4879. THE ORIGINAL OF THIS LETTER WILL BE TRANSMITTED TO THE COMMISSION TOMORROW, APRIL 6, 1999, FOLLOWING RECEIPT FROM MR. BOWERS.



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P.O. Box 1248
Dalton, GA 30722-1248

Bruce E. Bowers
General Counsel

Telephone: (1) 706-272-7303
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April 2, 1999

Ms. Maura Callaway
Special Assistant
FEDERAL ELECTION COMMISSION
999 E Street, N.W.
Washington, D.C. 20463

**Re: RESPONSE OF BEAULIEU OF AMERICA, INC. ON BEHALF OF
ITSELF AND CEO CARL M. BOUCKAERT IN MUR 4879**

Dear Ms. Callaway:

Introduction

The United States Department of Justice referred a matter relating to Respondent Beaulieu of America, Inc. ("Beaulieu") to the Federal Election Commission ("Commission").¹ The Commission thereafter found reason to believe that Beaulieu and its CEO, Carl M. Bouckaert, knowingly and willfully violated 2 U.S.C. §§441b(a) and 441f.

Beaulieu respectfully submits that the Commission was correct with respect to its conclusions as to Beaulieu, but in error with respect to Beaulieu's CEO, Mr. Bouckaert. The Commission made its findings without the benefit of full information concerning the nature of the political contribution reimbursements or the roles of corporate officials.

In this letter, I respectfully seek to provide the Commission with such additional information. I am General Counsel of Beaulieu Group, LLC, and the information contained in this letter is based on my review of Beaulieu's corporate records. Although I became employed by Beaulieu after the campaign finance violations occurred, I am familiar with the government investigation of the violations. I also am familiar with the Company's recently adopted political fundraising compliance program. The corporation also has instituted a confidential "hotline" for employees to comment on or question any area of corporate activity.

¹ Beaulieu is a large manufacturer of floor coverings with plants in the United States and Canada.

Ms. Maura Callaway
April 2, 1999
Page 2

I have reviewed the Commission's statement of Factual and Legal Analysis in this matter, and its proposed conciliation agreement. Both of these FEC documents reach conclusions about Mr. Bouckaert's role in the violations that are unsupported in the record.

The Commission's Factual and Legal Analysis

As to Beaulieu of America, Inc.

In its Factual and Legal Analysis, the Commission correctly states that Beaulieu acknowledges the authority of the Commission to seek civil remedies for the violations at issue and agrees to submit to the Commission's jurisdiction, to cooperate with the Commission in its compliance proceedings, including waiving notification procedures to which Beaulieu may be entitled and any statute of limitations, and to enter into a conciliation agreement and pay whatever civil penalty the Commission deems appropriate pursuant to the provisions of 2 U.S.C. §437g(a)(5). Beaulieu agrees that a civil penalty of \$200,000 would be an appropriate civil disposition of this matter before the Commission. Enclosed with the referral from the Department of Justice was a check from Beaulieu payable to the Federal Election Commission in the amount of \$200,000.

As to Carl M. Bouckaert

As to Carl M. Bouckaert, no facts are stated nor any reasoning provided by the Factual and Legal Analysis which would justify a conclusion that he knowingly and willfully violated the two statutes in question. The sole reference to Mr. Bouckaert in the Commission's analysis states:

The information contained in the plea agreement indicates that Carl M. Bouckaert was one of the corporate officers who approved such corporate activity. Therefore, there is reason to believe that Beaulieu and Carl M. Bouckaert knowingly and willfully violated 2 U.S.C. §§441b(a) and 441f. [Federal Election Commission Factual and Legal Analysis, p. 2.]

Respondents understand that the Commission had very little information before it when initially considering this matter. Indeed, almost no facts concerning Mr. Bouckaert's personal conduct (as distinct from the bare facts that he is CEO of Beaulieu of America and was a Co-Chair of the Alexander dinner) were known to the Commission when it conducted its Factual and Legal Analysis. But nothing in the plea agreement or the Information charging Beaulieu contains evidence that Mr. Bouckaert "was one of the corporate officers who approved such corporate activity." Certainly, neither the plea agreement, the Information, nor the transcript from Beaulieu's sentencing contains any evidence that Mr. Bouckaert "knowingly and willfully" violated 2 U.S.C. §§ 441b(a) and 441f. In addition, a review of the company's records provides no indication that Mr. Bouckaert directed any of the reimbursements that occurred.



Ms. Maura Callaway
April 2, 1999
Page 3

The Plea Agreement

On December 1, 1998, the United States District Court for the Northern District of Georgia, Rome Division, accepted Beaulieu's Guilty Plea and Plea Agreement and sentenced Beaulieu based on the allocution contained therein. The plea agreement described the facts of the case as follows:

On March 8, 1995, a fundraising dinner, co-chaired by the Chief Executive Officer ("CEO") of the defendant corporation, was held in Dalton, Georgia, for Lamar Alexander, a candidate for President of the United States in the 1996 elections. At the direction of corporate officers, at least 36 employees and employee spouses made contributions of \$1000 each to the Alexander for President Committee to purchase tickets to the dinner. After the contributions were made, the defendant reimbursed the employees using corporate funds, disguising the reimbursements as "bonuses" or "expense reimbursements." As a result of the defendant's conduct, the Alexander for President Committee unwittingly and incorrectly reported as individual contributions what were in fact at least \$36,000 in corporate contributions funneled through conduits. [Guilty Plea and Plea Agreement, p. 1, ¶2.]

Nothing in this statement of the facts implicates Mr. Bouckaert in any illegal activity. Rather, the plea agreement states only that prohibited contributions were made "at the direction of corporate officers" and that Beaulieu employees were subsequently reimbursed from corporate funds. [Guilty Plea and Plea Agreement, p.1.]. Out of context, it would be possible to misread the plea agreement to imply that all corporate officers, including Mr. Bouckaert, directed the reimbursements. The Commission may inadvertently have made such a misreading. Paragraph Five of the Commission's proposed Conciliation Agreement states that contributions were made "at the direction of the corporate officers of Beaulieu of America, Inc." (emphasis added), from which it would appear that the FEC thought all corporate officers, including Mr. Bouckaert, were giving such direction.

The press release issued by the Department of Justice upon entry of the corporation's guilty plea, however, clarifies the fact that only "some" corporate officers were involved:

At the direction of some corporate officers, at least 36 BEAULIEU OF AMERICA, INC. employees or spouses made contributions of \$1000 each to the Alexander for President Committee to purchase tickets to the dinner. [DOJ Press Release, 12/01/98 (emphasis supplied).] See Tab 1.

A review of the company's records confirms that some of Beaulieu's officers authorized reimbursements. Those senior managers encouraged their subordinates to contribute to the



Ms. Maura Callaway
April 2, 1999
Page 4

Alexander for President Committee, and then authorized the employees to be reimbursed out of company funds. Accordingly, the language in the plea agreement regarding "corporate officers" refers to those managers who encouraged their subordinates to contribute to the Alexander for President Committee, and then authorized the employees to be reimbursed out of company funds. In parallel with the plea agreement, the last four counts of the five count Information allege reimbursements made by four managers to the subordinate employees of each manager. While the managers are not named in the Information, it is apparent from the references to dates and payment amounts that Mr. Bouckaert is not one of the officers referenced in these counts.

The company's records reflect that these managers did not act in concert nor take direction from a single source. As the plea agreement notes, both "expense reimbursements" and "bonuses" were used as methods of reimbursement. In addition, two managers wrote checks from their personal accounts to reimburse employees.

At the same time, other managers did not violate any campaign laws. Some managers contributed and asked others to do so, but reimbursed no one. Some employees declined to contribute or to attend the Alexander fundraising dinner at all. In fact, nineteen Beaulieu employees and spouses, in addition to Mr. and Mrs. Carl Bouckaert, attended the fund raising dinner, contributed, were not reimbursed, and reimbursed no one else.

After a lengthy and extensive investigation, the government did not charge Mr. Bouckaert with personally directing the improper conduct. The government did charge the corporation. My understanding of corporate law is that the separate conduct of the managers who reimbursed subordinate employees' rendered the corporation liable for violations of the Federal Election Campaign Act. Accordingly, Beaulieu accepted corporate responsibility for \$36,000 in prohibited contributions and agreed to plead guilty to five misdemeanor counts.²

In plea negotiations, the Department of Justice advised Beaulieu that the corporation would be charged with misdemeanor and not felony offenses because the investigation had uncovered no evidence of "corrupt motive," *i.e.*, there was no attempt on behalf of Beaulieu or its employees to obtain any governmental benefit in exchange for the contributions made. The fine of one million dollars was by no means inconsequential to Beaulieu. However, it was considered by the Department of Justice to be commensurate with the violations which were described as "somewhere in the mid range" of cases it has prosecuted. At sentencing, the lead prosecutor confirmed these views of the Department of Justice:

Mr. Nahmias: Your Honor, this plea agreement, as you know, was reached through a long process of negotiation with the defendant. The government in the Northern District of Georgia has also consulted with Mr. Donsanto at the Department of

² United States of America v. Beaulieu of America, Inc., 4:98 Cr-50 (N.D. Ga., Rome Division).



Ms. Maura Callaway
April 2, 1999
Page 5

Justice, who has also consulted with officials within the department, and we have engaged in a comparison to a number of similar cases around the country. This case falls somewhere in the mid range based on our assessment, by both sides, of the severity of the facts, the absence in this case of any evidence of corrupt motive involved in the disguised contributions, and the amount of money that was given, and in our judgment and in the judgment of the department, this case fits roughly on the level that we have proposed to the court through negotiations. [Sentencing Transcript, p. 39.]

In the Information, the U.S. Attorney's Office charged Beaulieu with five misdemeanor counts. Count 1 charged a violation of Title 2, Section 441b(a), the general prohibition against corporate contributions and alleges that a total of at least thirty six thousand dollars (\$36,000) in prohibited corporate contributions were made to the Alexander campaign at the fund raising dinner held in Dalton, Georgia on March 8, 1995.³ Counts 2-5 charge violations of Title 2, Section 441f, the prohibition of contributions in the name of another. Those four counts allege contributions by specific but unnamed employees, referencing only the date and the amount of the contribution in each count. The contributions specified in Counts 2-5 match the \$36,000 total alleged in Count One. Although the Information did not identify by name the managers and subordinate employees who made the conduit contributions, a review of the dates and amounts referenced therein demonstrate that they do not refer to Mr. Bouckaert⁴ and, of course, he was not personally charged.

The Terms of the Plea

On December 1, 1998, Beaulieu plead guilty to five misdemeanor counts. As a penalty, Beaulieu agreed to pay on the date of sentencing the maximum fine of \$200,000 per count, a total of one million dollars, and it did so. The corporation agreed to a term of probation which included adoption of a campaign finance compliance program. As part of this program, Beaulieu agreed to disclose quarterly to the Court any and all violations of campaign financing laws, and any and all steps taken to investigate potential violations. Finally, the corporation agreed to take all reasonable measures to ensure that its subsidiaries and all its directors, officers, employees, and agents would remain in full compliance.

The sentencing court noted its approval of the new compliance program:

³ The dinner raised approximately \$350,000 for the Alexander for President Committee.

⁴ Mr. and Mrs. Bouckaert each contributed \$750.00 to the Alexander for President Committee on November 22, 1994 and \$250.00 on March 14, 1995.



Ms. Maura Callaway

April 2, 1999

Page 6

The Court: The Court has reviewed the corporate compliance program, which is attached to the plea agreement, and finds that it is a strong effort and a commendable effort to not further violate the law in the manner alleged in this indictment. [Sentencing Transcript, p. 41.]

At sentencing, Mr. Bouckaert personally spoke on behalf of the corporation and expressed remorse for the violation committed by the company of which he is the founder and CEO. Mr. Bouckaert's presence at sentencing was consistent with the United States Sentencing Guidelines for Organizations, which encourage the CEO to take the lead in demonstrating that the corporation is remorseful and accepts responsibility for its actions. The Guidelines expressly provide that:

the court may determine that the chief executive officer or highest ranking employee of an organization should appear at sentencing in order to signify that the organization has clearly demonstrated recognition and affirmative acceptance of responsibility. [U.S.S.G. §8C2.5(g) (Commentary 14).]

Therefore, "in order to signify that the organization has clearly demonstrated recognition and affirmative acceptance of responsibility," in its plea agreement Beaulieu agreed that its CEO, Carl M. Bouckaert, would appear at sentencing and that its officers would perform 500 hours of community service approved by the United States Probation Office or the Court. The plea agreement also provided that at least 200 of the hours be performed personally by CEO Carl M. Bouckaert.

Further, although not required to do so under the plea agreement, Mr. Bouckaert specifically requested an opportunity to briefly address the Court to emphasize his regret on behalf of the corporation:

Mr. Cochran [Attorney for Mr. Bouckaert]: Your Honor, as a matter of allocution, could Mr. Bouckaert make a statement on behalf of the corporation?

The Court: The Court would be delighted for him to do so. He can do it from there, or he can come around here. I'm also going to give Mr. Bowers [General Counsel and the designated corporate representative at sentencing] and counsel an opportunity to speak to that.

Mr. Bouckaert: Thank you very much, your Honor, for allowing me to say a few words. I am very, very, very sorry that this happened, and on behalf of the company, I express my sincere regrets, and I guarantee you that this will never happen again. Thank you very much. [Sentencing transcript, p. 41.]



Ms. Maura Callaway
April 2, 1999
Page 7

The Commission should not confuse Mr. Bouckaert's willingness to accept responsibility on behalf of the corporation with an admission of personal liability for a violation of the Federal Election Campaign Act. Rather, Mr. Bouckaert accepted responsibility on behalf of the company because he is the founder and CEO of the company.

The FEC bears a heavy burden in establishing that an individual had the requisite intent to commit a "knowing and willful" violation of the Federal Election Campaign act. Beaulieu's corporate guilty plea in the present case and the Beaulieu records I have reviewed do not indicate that Mr. Bouckaert engaged in such conduct.

Beaulieu as Corporate Citizen

In the present case, Beaulieu made mistakes that were clearly out of character for a company of such well-established good corporate citizenship. Beaulieu's charitable efforts are well known in the North Georgia area in which it is located, within the state of Georgia, and in the neighboring states of Alabama and South Carolina where Beaulieu has facilities. At its sentencing, the Hon. Harold L. Murphy, a United States District Judge who lives in the North Georgia area, noted that Beaulieu as a corporation, "commendably, [engages] in many, many responsible corporate activities for the betterment of society and the community." [Sentencing Transcript, p. 41.] In keeping with its usual good character, Beaulieu admitted its violations in the present case, sought to take responsibility for them, and instituted a thorough compliance program to ensure that they would not be repeated.

Conclusion

Throughout months of extensive negotiations with the Justice Department, Beaulieu expressed its desire to include the Commission in a "global settlement" of the present matter, in order to do the right thing expeditiously and to lay the matter to rest. The Department of Justice advised Beaulieu that a recommendation to the FEC was not a condition precedent for its plea agreement. Indeed, it is my understanding that in light of the existing disposition in federal court, the Commission might not have addressed Beaulieu's violation if it had not been voluntarily submitted by the Department of Justice at Beaulieu's request.

Ultimately, the United States Department of Justice and Beaulieu agreed that, "in view of the charged conduct and the terms of this plea agreement," a civil penalty of \$200,000 paid by the corporation would constitute an appropriate disposition of this matter before the Commission. [Guilty Plea and Plea Agreement, p. 4.] Respondents fully understand that the Justice Department's recommendation is not binding on the Commission. However, Respondents believe that a more stringent penalty would be unduly harsh in comparison with the punishments meted out by the Commission for similar violations in similar matters. More importantly, the respondents submit that

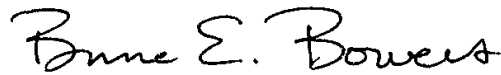


Ms. Maura Callaway
April 2, 1999
Page 8

the evidence in the present case certainly does not support a finding of a "knowing and willful" violation by Carl M. Bouckaert.

The Federal Bureau of Investigation investigated this matter for fourteen months. The Justice Department, exercising its own independent judgment, did not allege any personal violations by Mr. Bouckaert. Carl M. Bouckaert therefore was not a party to the plea agreement. He is not one of the corporate officers whose conduct is detailed in the criminal Information. And in its recommendation to the Commission, the Justice Department nowhere mentioned any reason to believe that Mr. Bouckaert committed any violations personally, and nowhere suggested that Mr. Bouckaert personally should be made a party to any Conciliation agreement. Beaulieu respectfully submits to the Federal Election Commission that a \$200,000 civil penalty for the corporation only is an appropriate resolution of this matter, and requests that the Commission take no further action with respect to Carl M. Bouckaert, CEO of Beaulieu of America, Inc.

Respectfully submitted,



Bruce E. Bowers
General Counsel
Beaulieu of America, Inc.

Tab 1: Press Release
Tab 2: Compliance Program



STANDARDS OF CONDUCT
AND
COMPLIANCE
HANDBOOK
FOR

BEAULIEU GROUP, LLC
BEAULIEU OF AMERICA, INC.
CORONET INDUSTRIES, INC.

ADOPTED OCTOBER, 1998

Compliance Officer

Trammell Maddox (706-275-4451, ext. 3404)

Corporate Compliance Helpline

1-877-780-9372

General Counsel

Bruce Bowers (706-272-7303)

STANDARDS OF CONDUCT AND COMPLIANCE HANDBOOK

INTRODUCTION

This Compliance program is for all Beaulieu related employees, including employees of Beaulieu Group, LLC, Beaulieu of America, Inc., and Coronet Industries, Inc. To reaffirm that Beaulieu employees will continue to conduct business ethically and legally, we are adopting a written set of standards. These standards apply to all our operations and employees.

This Handbook sets forth the manner in which each Beaulieu employee must act in fulfilling his or her responsibilities. Beaulieu's ability to maintain its leadership position in the carpet industry depends on the commitment of all of its employees to the principles set forth in this Handbook. It is important that each employee read this manual and fully understand it. Beaulieu employees should regularly review these principles and incorporate them into their daily behavior. Conduct in violation of these standards is beyond the scope of an employee's job and may lead to serious sanctions for the employee, including termination.

Some of the discussion in this handbook concerns U.S. laws. For Beaulieu employees operating outside the United States, you should become familiar with and adhere to the laws in your host country as well as U.S. laws.

Any employee who observes conduct in violation of the Handbook's rules and principles should report it immediately to Company management directly or call the Company's toll-free Corporate Compliance Helpline, 1-877-780-9372. Any employee who is asked to do something that he or she considers unethical or illegal should likewise report the request immediately, either directly to the Company or by calling the Corporate Compliance Helpline. All calls to the Corporate Compliance Helpline will be treated confidentially.

Trammell Maddox has been designated the Beaulieu Compliance Officer (tel.: 706-275-4451, ext. 3404). He is responsible for implementing and administering the Compliance Program outlined in the Handbook.

This Handbook cannot, of course, cover every situation you may encounter as a Beaulieu employee. Sometimes more detailed Company policies and rules will provide guidance on particular issues. In any event, if the proper course of action is unclear, you should seek the guidance of your supervisor, the Beaulieu Compliance Officer, the Human Resources Department, or the Company's General Counsel.

The continued success of Beaulieu depends on your integrity and good judgment. As a Beaulieu employee, no responsibility is more important than adhering attentively and faithfully to the principles outlined in this Handbook.

Carl M. Bouckaert, Chief Executive Officer

Stuart W. Thorn, President and Chief Operating Officer

COMPLIANCE HANDBOOK
TABLE OF CONTENTS

	<u>Page</u>
RECORDING AND REPORTING INFORMATION	1
RULES GOVERNING POLITICAL ACTIVITY	3
A. USE OF CORPORATE FUNDS	3
General Policy	3
Contributions to Federal Candidates and Committees	3
Communications	5
Other Uses of Corporate Funds	8
Resources and Facilities	8
Contributions to Non-Federal Candidates and Committees	10
B. PERSONAL POLITICAL ACTIVITY BY INDIVIDUAL EMPLOYEES	11
Individual Contributions	11
Volunteer Activities	12
C. ISSUE ADVOCACY	12
GIFTS, ENTERTAINMENT, AND GRATUITIES	14
Receiving Gifts, Entertainment, and Gratuities	14
Providing Gifts, Entertainment, and Gratuities	14
Relationships With Governmental Employees	14
Business Relations Outside the United States	15
METHODS OF COMPETITION	16
Relations with Competitors	16
Relations with Customers and Suppliers	17
Professional and Trade Associations	18

5/20/2020 10:59

MARKETING, ADVERTISING, AND SALES	19
INTERNATIONAL SALES	20
CONFLICTS OF INTEREST	21
INTELLECTUAL PROPERTY AND CONFIDENTIALITY	22
Intellectual Property Rights	22
Confidential Information	22
Communications	23
WORKER SAFETY	24
ENVIRONMENTAL SAFETY	25
HELPLINE	26
LIST OF PHONE NUMBERS	27

RECORDING AND REPORTING INFORMATION

Beaulieu maintains corporate books and records in order to document the Company's business operations. These records should be complete and accurate.

Beaulieu's financial statements and the books and records on which they are based should be maintained in accordance with the Company's established accounting policies. No undisclosed or unrecorded corporate funds may be established, nor should Company funds be diverted into any personal or non-corporate account. All corporate assets must be properly protected. Asset records must be regularly compared with actual assets, and proper and prompt action must be taken to reconcile any variances.

Beaulieu employees should not engage in any arrangement that results in false, artificial, or misleading entries in any of the Company's records. All Beaulieu employees must exercise sufficient care to ensure that all data is promptly and accurately recorded and properly documented.

In the ordinary course of its business, Beaulieu frequently must supply information to federal, state, and local government agencies and officials as well as to other organizations. All information reported to individuals and organizations outside the Company, including government entities, should correctly reflect the Company's business. It is the policy of the Company to be accurate in all such submissions and statements. Inaccurate submissions may subject the Company and the reporting employees to serious civil and criminal sanctions.

Beaulieu employees should sign only those reports and documents that are truthful and accurate. Any employee who knowingly causes information to be falsely reported, through lack of proper diligence or otherwise, or who knowingly allows another individual to report false information, will be subject to disciplinary action, up to and including discharge.

When litigation, an audit, or an investigation by a government or other competent authority is pending or reasonably foreseeable, relevant records must not be destroyed until the matter is closed.

If a Beaulieu employee has concerns about the Company's recording or reporting of information, the employee should contact his or her supervisor, the Compliance Officer, or the Corporate Compliance Helpline (1-877-780-9372). Calls to the Helpline will be treated confidentially.

RULES GOVERNING POLITICAL ACTIVITY

A. USE OF CORPORATE FUNDS

Beaulieu will observe all federal, state, and local laws governing corporate political activity.

GENERAL POLICY

It is the policy of Beaulieu to comply fully with all applicable federal, state, and local laws regulating corporate political participation.

Because corporate political activity has become a highly regulated area covered by civil and criminal statutes, under no circumstances may Beaulieu funds be used to reimburse employees for their personal political contributions. Personal compensation of employees may not be altered in any way to reflect political contributions. No employee shall be favored or prejudiced in any condition of employment as a result of making or failing to make any such contributions, and Beaulieu shall not pay any employee for performing services for a political organization, candidate, or public official.

Because of the complexity of political laws governing corporate political activity, Beaulieu employees should consult with the Company's General Counsel before agreeing to do anything that could be viewed as involving Beaulieu in any political activity at the federal, state, or local level. When speaking out on political issues, Beaulieu employees should always make clear that the views expressed are their own personal views and not the views of the Company.

CONTRIBUTIONS TO FEDERAL CANDIDATES AND COMMITTEES: Company policy and federal law strictly prohibit the contribution of Company funds or other assets to a federal candidate, campaign committee, or federal account of a political party, or the expenditure of Company funds or other assets for an election for federal office.

Contributions Defined. A contribution is anything of value given to influence a federal election, and may include the following in addition to contributions of money:

"In-kind" contributions. In-kind contributions include goods or services offered by the Company to a candidate, campaign committee, or political party free of charge, goods or services offered by the Company to a candidate, campaign committee, or political party at

less than the usual and normal charge, and/or payments by the Company for goods or services rendered to a candidate, campaign committee or political party.

Loans and Loan Guarantees. A loan or loan guarantee to a candidate, campaign committee, or political party is a contribution.

Debt forgiveness. Any account receivable not expected to be repaid or a write-off of an account receivable as a bad debt may be a contribution.

Prohibited Contributions. Federal law prohibits corporations from using corporate funds to make contributions to federal candidates or campaign committees. The prohibition covers:

Reimbursements. The Company may not reimburse individuals who make contributions to a candidate, campaign committee, or political party.

Compensation for Goods or Services. With very limited exceptions, the Company may not pay for goods or services rendered to a candidate or campaign committee.

Other Prohibited Contributions. In addition to the prohibition on corporate contributions, federal election law prohibits:

Contributions In the Name of Another. Contributions made by one person in the name of another are prohibited. Such a contribution could result, for example, if the Company or an executive reimbursed an employee's contribution through a bonus, expense account, or other means.

Contributions from Foreign Nationals. Foreign nationals who are not permanent U.S. residents (i.e., foreign nationals not holding a "green card") are prohibited from making contributions in connection with any election -- federal, state or local.

Anonymous Contributions. Anonymous contributions are prohibited.

Contributions from Federal Government Contractors. Candidates and candidate committees may not accept contributions from federal government contractors.

Excess Contributions. Contributions in excess of the limits imposed by federal law are prohibited. See discussion below at page 11.

COMMUNICATIONS: Federal law permits corporations to use corporate funds to engage in certain federal election-related communications. The permissible content of these communications is determined by the audience towards which they are directed.

Communications to the Restricted Class. Federal law defines a corporation's "restricted class" to include its executive and administrative personnel, stockholders, and the families of both groups. The restricted class does *not* include executives of other firms, clients, etc. Executive and administrative personnel are defined as salaried personnel who have policy-making, managerial, professional or supervisory responsibility. When communicating with its restricted class, the Company may expressly advocate the election or defeat of a clearly identified federal candidate and it may solicit contributions to candidates, campaign committees, or political parties. Under these circumstances, the Company may even coordinate communications with candidates, campaign committees or political parties. If communications involve express advocacy, and the Company spends, in the aggregate, more than \$2,000.00 per election, then the Company must report the expenditures to the Federal Election Commission.

Communications Beyond the Restricted Class. When communicating with employees outside the restricted class, the Company may not expressly advocate the election or defeat of any candidate, solicit contributions to any candidate, campaign committee, or political party, or coordinate with a candidate, campaign committee, or political party concerning plans, projects and/or needs.

Candidate and Party Appearances. Corporate-sponsored appearances by candidates and party representatives are permissible, but heavily regulated. In general, the Company may sponsor appearances before three types of audiences: members of the Company's restricted class and their families, all employees and their families, and the general public.

Appearances Before the Restricted Class: The Company at any time may invite a candidate for federal office, or a party representative, to address its restricted class at a meeting, convention, or other function. Such an appearance may occur on corporate property. During an appearance before the restricted class, both the Company and the candidate or party representative may engage in express advocacy. Moreover, the Company may coordinate with the candidate or party regarding the structure, format, and

timing of the appearance as well as the plans, projects, and needs of the candidate or the party. Finally, the candidate or party representative may ask for and collect contributions before, during and/or after the appearance. *Company officials may urge members of the restricted class to contribute, but may **NOT** collect contributions for the candidate. (For example: The Company may provide an address for the candidate or party, but may **NOT** provide stamped envelopes).* The reporting requirements that apply to expenditures on communications to the restricted class apply to communications made in connection with candidate appearances (see **Communications to the Restricted Class** above).

Appearances Before All Employees and their Families: The Company may also sponsor candidate and party appearances before audiences that include employees and their families who are not members of the restricted class. These appearances may occur on Company property or at a Company meeting, convention, or other function. Under these circumstances, the Company may not engage in express advocacy or encourage its employees to do so, and it may not solicit contributions to the candidate or party, or coordinate with the candidate or party regarding plans, projects or needs (though coordination regarding the timing, structure, and format of the appearance is permissible). The candidate or party representative may engage in express advocacy, may solicit contributions, and may leave campaign materials and envelopes for making contributions. However, the candidate or party representative may not actually collect contributions before, during, or after the appearance. *(Note: If a corporation sponsors an appearance by a candidate before an audience including employees outside of the restricted class, it must allow the same opportunity to all candidates running for that office upon request.)*

Appearances Before the General Public: Under ***very limited circumstances***, the Company may sponsor candidate appearances before the general public. Such sponsorship is permissible where the Company sponsors an appearance by a federal, state, or local officeholder who appears in his or her capacity as an elected official and not as a candidate for federal office. In this case, neither the officeholder nor the Company may engage in express advocacy or in the solicitation of contributions. The officeholder may address issues of corporate or public interest, but must avoid references to the campaign or election.

Publications. The Company may produce print, broadcast, video, digitized or other types of published materials for distribution to both its restricted class and others. As with political appearances, however, election-related materials disseminated beyond the restricted class are

subject to strict limitations. Publications distributed to the restricted class may contain express advocacy, include solicitations, and be the product of coordination between the Company, a candidate, campaign committee, or political party (however, the publication may not simply be a reproduction of campaign materials -- rather, it must express the original views of the Company). Publications distributed beyond the restricted class must not contain express advocacy or solicitations, and may not be based on coordination between the Company and a candidate, campaign committee, or political party. The reporting requirements that apply to expenditures on communications to the restricted class apply to publications (see **Communications to the Restricted Class** above).

Endorsements. In addition to endorsing candidates at appearances before (or in publications distributed to) its restricted class, the Company may also announce endorsements it has made -- and may explain its rationale for endorsing a candidate or party -- through a press release or press conference. In so doing, the Company may only distribute the press release or notice of the press conference to its usual media contacts. *The Company may not coordinate with a candidate or party regarding such an announcement.*

Registration and Get-Out-The-Vote Drives. The Company may urge members of its restricted class to register with a particular party and/or vote for a particular candidate. It may also provide transportation to the registration or polling place (but must not do so on condition of voting for a particular candidate or registering with a particular party). The Company may also establish and operate phone banks to urge members of its restricted class to register and vote. When voter registration or get-out-the-vote efforts are aimed beyond the restricted class, the Company may not expressly advocate the election or defeat of a clearly identified candidate or the candidates of a clearly identified party. Such efforts cannot be coordinated with a candidate or party, and must not be aimed primarily at employees inclined to vote for the candidate or register with the party favored by the Company. Registration and voting services must be provided to all employees, regardless of political preference, and availability must be made clear in writing. *The Company may not compensate those who conduct registration and voter drives based on the number of assisted persons who vote for the Company's preferred candidate or registered with the Company's preferred party.*

Voter Education. The Company may sponsor public advertisements promoting registration and voting, as long as those advertisements are not coordinated with any candidate, campaign committee or party and do not contain any express advocacy. The Company may also distribute voter information that is produced by official election administrators, and may contribute funds

to state and local governments to defray the costs of printing and distributing registration or voting information and forms.

OTHER USES OF CORPORATE FUNDS: In addition to certain communications, the Company may use its funds for other activities that may affect the political process at the federal level. These permissible purposes include:

Donations for Party Office Building. The Company may donate money or other items of value to a state or national party committee for the specific purpose of constructing or purchasing a party office facility (as long as no part of the donation is used to influence a particular federal election). Such building fund donations are not considered “contributions” and are not subject to limitation or prohibition.

Employee Participation Plans. The Company may pay for the establishment and administration of employee bank accounts and payroll checkoff plans used to transfer employee payroll funds into separate accounts used by employees to make voluntary political contributions. These plans must be available to all Company employees, who must not be pressured to participate, and who must maintain complete control and discretion over all contributions made from their individual accounts. The Company may not be identified when contributions from these accounts are submitted to candidates or parties.

National Convention Activities. In certain circumstances, the Company may contribute to or engage in activities associated with a national party's convention. Because the rules governing corporate contributions and participation are complex, the Company's General Counsel should be consulted before involving the Company in any activities associated with a national party convention.

Contributions to Non-Federal Candidates and Committees. See discussion below at page 10.

RESOURCES AND FACILITIES: The Company may, under limited circumstances, allow candidates, parties, and individuals to use Company resources (like office equipment, rooms, furniture, etc.) in connection with federal elections. However, federal election law contains very strict regulations regarding such use, and Beaulieu requires that the written permission of the Company's General Counsel must be sought prior to allowing it.

Individual Volunteer Activity. Company employees may make “occasional, isolated, or incidental use” of corporate facilities for their own individual volunteer activities on behalf of federal candidates, provided that the employee-volunteers reimburse the Company for such use. Volunteer work of up to one hour per week or four hours per month will be considered incidental use. When use of facilities is incidental, employee-volunteers need only reimburse the Company to the extent such use increases the Company’s overhead or expenses. When the use is more than incidental, the employee-volunteer must, within a commercially reasonable time, reimburse the Company for the usual and normal rental charge for such use.

Use in Fundraising. *If the Company receives advance payment for the fair market value of the services it provides,* it may (1) make Company facilities and resources (including lists of customers, clients, vendors, or others) available to a federal candidate or committee, and/or (2) operate or obtain catering or other food services. Payment from a candidate, committee, or other permissible political source must be received ***before*** the services, lists, or catering services are provided. Corporate employees and subordinates ***may not*** be coerced into assisting with fundraising activities, and any work done for the corporation by employees and subordinates on such activities must also be paid for in advance.

Use of Offices and Equipment. If a candidate, campaign committee, political party, or individual other than a Company official or employee uses Company facilities (including, for example, telephones, computers, furniture, office space, etc.) in connection with a federal election, the Company must be reimbursed for the usual and normal rental charge within a commercially reasonable time. ***If the Company ordinarily makes its meeting rooms available to civic or community clubs or organizations at a discount or for free, and it makes them available to all candidates, campaign committees, and political parties upon request,*** then it may provide a free or discounted meeting room to a candidate, committee, or political party.

Transportation. The Company may allow a candidate, candidate’s agent, or someone traveling on behalf of a candidate to use aircraft owned or leased by the Company. However, the user will be required to make ***advance payment*** to the Company of either (1) the first class air fare rate (for travel to cities with regularly scheduled commercial airline service), or (2) the usual charter rate (for travel to cities with no regularly scheduled commercial service). For use of other means of transportation owned or leased by the Company, reimbursement must be made at the usual and normal rental rate.

CONTRIBUTIONS TO NON-FEDERAL CANDIDATES AND COMMITTEES: If allowed under state and local law, the Company may make contributions to nonfederal candidates and to state and local political committees. The Company also may make donations to the non-federal accounts (i.e., "soft money") of national party political committees. **Advance written permission of the Company's General Counsel is required, however.** Additionally, state and local laws vary enormously and must be checked as necessary. A brief description of Georgia law is provided below.

Contributions to Georgia Candidates and Committees. Georgia election law permits limited corporate contributions to candidates for state and local elected office. The contribution limits are the same as those applied to individuals (see **INDIVIDUAL CONTRIBUTIONS** section below). *These limitations aggregate contributions from a corporation and all its affiliated corporations.*

Prohibited Contributions in Georgia. In Georgia, anonymous contributions are prohibited, as are contributions by certain regulated entities to the "elected executive officers" (including the Secretary of State, Attorney General, State School Superintendent, Commissioner of Insurance, Commissioner of Agriculture, and Commissioner of Labor) who head the agencies that regulate them. *Candidates for state-wide office and for the Georgia General Assembly may not accept contributions during a legislative session.*

Reporting Requirements. If the Company makes contributions to or expenditures of over \$500 on behalf of multiple candidates for office in Georgia, it must file periodic reports with the Georgia Secretary of State. Contributions to state party committees are not limited and do not trigger reporting requirements.

Contributions to Non-Federal Candidates and Committees by the Company. In those states, including Georgia, that permit corporate political contributions, corporate funds may be used to the extent permitted by law, but Beaulieu requires that the advance written approval of the Company's General Counsel must be obtained. All authorized contributions must be made only to the candidate's authorized campaign committee, to a political party, or to other recipients who may legally receive such contributions. All applicable reporting requirements imposed by law shall be promptly complied with and evidence of such compliance shall be forwarded immediately to the Company's General Counsel.

B. PERSONAL POLITICAL ACTIVITY BY INDIVIDUAL EMPLOYEES

Beaulieu executives and employees are expected to observe all federal, state, and local laws governing individual political activity.

INDIVIDUAL CONTRIBUTIONS: All executives and employees of the Company may make personal contributions to candidates for federal, state, and local elected office. However, contributions to candidates for federal office may not be reimbursed by Beaulieu or any of its executives or employees. Further, all contributions must be voluntary, and no contributions in excess of \$100.00 to federal candidates may be in the form of cash.

Contribution Limits (Federal). Federal limits on individual contributions are as follows:

To candidates for federal office: \$1,000.00 per election. (Note: primary, general, special, and run-off elections are separate elections for limitation purposes).

To non-candidate, federal political action committees: \$5,000.00 per year.

To state and local party committees: \$5,000.00 per year (combined).

To a national party committee: \$20,000.00 per year.

Overall limit: There is a \$25,000.00 per year cumulative limit on contributions made in connection with federal elections (contributions to candidates are counted against the year the election is held, not the year the contribution is made).

Family Allocation Rules. Contribution limits apply individually to each member of a family. Unless the contributor directs otherwise, contributions will be allocated in accordance with the designation on the instrument used to make the contribution. *Children may contribute, but only with their own money and of their own volition.*

In-kind Contributions. As discussed above, contributions need not be in the form of money. Contributions of goods, services, or "anything of value" are referred to as in-kind contributions, and count against an individual's contribution limits. For example, an individual might contribute \$500.00 in funds and \$500.00 in office supplies to reach his or her \$1,000.00 federal

candidate contribution limit. So when an individual makes an advance payment or reimburses a corporation for use of office resources in connection with a federal election, he or she must charge the reimbursement against his or her contribution limits.

Contribution Limits (Georgia). Georgia contribution limits are as follows:

To state-wide candidates during an election year: \$5,000.00 per year. (Note: limits are imposed annually rather than on a per election basis).

To candidates for all other elected offices in Georgia during an election year: \$2,000.00 per year.

To all Georgia candidates during a non-election year: \$1,000.00 per year.

Overall Limits: Unlike federal election limits, there is no annual cumulative limit on contributions for Georgia state elections.

VOLUNTEER ACTIVITIES: Individuals, including Company executives and employees, may freely volunteer their personal time in support of candidates for federal office. However, caution must be exercised when volunteer work is conducted during office hours or on Company premises. Because of the federal prohibition on corporate contributions, individual volunteer activities occurring at the office are closely regulated (see **RESOURCES AND FACILITIES** above). Individual expenditures made in connection with volunteer activities are subject to separate regulations which should be checked where applicable.

C. ISSUE ADVOCACY

Issue advocacy is a term used to describe the discussion and promotion of issues of public import that are not related to campaigns for federal office. Both corporations and individuals are increasingly exercising their First Amendment rights to speak on such public issues. Such communication must be done with extreme caution, however, because if it crosses the line and becomes express advocacy (as determined by the Federal Election Commission), then the communication will be considered an expenditure made in connection with a federal election and could result in a prohibited corporate or excessive individual contribution.

Company executives or employees should not engage in issue advocacy on behalf of the Company without first obtaining advanced written approval from the General Counsel.

If a Beaulieu employee has concerns regarding possible unethical or illegal political contributions, the employee should contact his or her supervisor, the Compliance Officer, or the Corporate Compliance Helpline (1-877-780-9372). Calls to the Helpline will be treated confidentially.

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GIFTS, ENTERTAINMENT, AND GRATUITIES

Beaulieu employees should not accept improper payments of any kind nor should they make improper payments to customers, suppliers, government officials, or any other individuals.

Receiving Gifts, Entertainment, and Gratuities. Beaulieu employees must select and interact with those who are doing or seeking to do business with the Company in a completely impartial and professional manner. Beaulieu employees shall not seek or accept from any such person or entity any gift, entertainment, or favor of a type that goes beyond common courtesies consistent with ethical business practices and are other than those of a minor nature. You should not accept any gift or entertainment that could reasonably be perceived to influence your judgment and independence. Acceptance of cash or gift certificates is absolutely forbidden. If you are offered an improper gift or payment, you should notify your supervisor, the General Counsel, or the Compliance Officer.

Providing Gifts, Entertainment, and Gratuities. No Beaulieu employee shall make any unethical or illegal payment to anyone to induce them to purchase the Company's products. Beaulieu strictly forbids any employee from offering a bribe, gratuity, kickback, or any similar payment to anyone in connection with the sale of Beaulieu's products. No Beaulieu employee shall give a personal gift to an employee of a customer with the expectation that the gift will influence the customer to purchase Beaulieu's products. Provisions of this section are not intended, however, to prohibit reasonable business entertainment or gifts that are appropriate in the normal course of business and permitted by law. The Company will only reimburse expenses incurred by employees for such business entertainment or gifts pursuant to the Company's policy regarding expense reports and applicable Internal Revenue Service regulations. Where a bill will not be submitted to the Company and/or the bill has been paid by an employee of the Company in the normal course of business, an expense report must be filled out, signed, and approved prior to reimbursement for reasonable business entertainment or gifts that are appropriate in the normal course of business and permitted by law.

Relationships With Governmental Employees. Acceptable practices in the commercial business environment may violate certain laws and regulations if followed when doing business with federal, state or local government officials and employees. Beaulieu employees must be aware of and strictly adhere to the relevant laws and regulations governing relations between the government and its customers and suppliers.

Beaulieu does not make, and will not permit, payments of any kind to or on behalf of any government representative or employee. Payments to government officials in order to secure sales or obtain favorable treatment are strictly forbidden. Gifts to or entertainment of any employee of a government agency which regulates the conduct of Beaulieu are also strictly prohibited. No Beaulieu employee should pay or reimburse any expense of any government representative or employee, or ever provide gifts or anything of value to such a representative or employee.

Business Relationships Outside the United States. Business conduct may differ in other countries in which we sell our products. As a Beaulieu employee, you should never give, offer, promise, or authorize any payment for the personal benefit of any government official, candidate, or party official within the United States or outside its borders. Nor should you pay anyone else if you believe that any portion of the payment will, in turn, be given or offered to any government official, candidate, or party official. You should not authorize any political contributions to non-U.S. campaigns or political parties without the advance written approval of the Company's General Counsel.

If a Beaulieu employee has concerns regarding possible unethical business practices, the employee should contact his or her supervisor, the Compliance Officer, or the Corporate Compliance Helpline (1-877-780-9372). Calls to the Helpline will be treated confidentially.

METHODS OF COMPETITION

Beaulieu will compete fairly and legitimately and comply fully and in good faith with all applicable antitrust laws. Beaulieu employees shall not engage in any activities that involve limiting competition, restraining trade, or other anti-competitive efforts that may violate civil or criminal antitrust laws. The following broad, general guidelines should be followed by all Beaulieu employees. Those Beaulieu employees who have responsibility in areas of the business which involve pricing, purchasing, or sales should be aware of the specific requirements of these laws and of their implications. Because of the complexity of antitrust laws and the severity of their penalties, Beaulieu employees should consult closely with the Company's General Counsel to discuss the lawfulness of any proposed activities that potentially could be construed to inhibit full and fair competition.

The following areas of specific concern are set forth below only to acquaint employees with the antitrust risks involved so that legal advice can be obtained on a "before the fact" basis. This section by no means provides an exhaustive discussion of potential antitrust liability. It serves only to alert you to common antitrust risks and to encourage you, when confronted with any such risk, to consult with the Company's General Counsel.

In certain respects, these admonitions go beyond the letter, or even the spirit, of the antitrust laws. Nonetheless, the Company wants to avoid any claims of antitrust misconduct even if baseless. Accordingly, the Company has adopted these guidelines with this preventive goal in mind.

Relations with Competitors (in their capacity as a competitor and not as a supplier or customer). Employees or representatives of Beaulieu shall not discuss, communicate, or exchange information with any representative of a competitor concerning the prices or terms on which products are sold or the clients or markets served by Beaulieu or the competition. Company policy prohibits communication with a competitor on any of the following subjects: past, present, or future prices; pricing policies; discounts or allowances; royalties; terms or conditions of sale; costs; profits; customer selection; territorial markets; production or sales volume; market share; production quotas; allocation of customers or territories; distribution methods; or bidding for jobs.

The Company's policy against communicating with competitors prohibits listening to or receiving information, even if unsolicited, from competitors. Beaulieu employees or

representatives may not attend any meeting at which competitors discuss any subjects that could affect price and should disassociate themselves immediately from any such discussions and report them to the Company's General Counsel.

Agreements with competitors concerning any of the previously mentioned subjects are strictly forbidden. Agreements relating to prices, the allocation of geographic areas or customers groups, or to bidding for a particular project are especially to be avoided. Impermissible agreements include everything from formal contracts to casual and tacit understandings.

Beaulieu prices must be determined independently, in light of Company cost, market condition, and competitive prices. Although competitive prices are a legitimate basis for our own prices, these competitive prices should be obtained only from publicly available price lists previously circulated to the trade or from noncompetitive sources, such as customers, which previously received a price from the competitor. It is contrary to Company policy to obtain any kind of price information directly from a competitor or to send Company price lists to a competitor.

All overtures or suggestions to a Beaulieu employee that the Company engage in a prohibited activity, such as price-fixing or territorial allocation, must be reported immediately to the Company's General Counsel.

Relations with Customers and Suppliers. Beaulieu makes its own independent judgments concerning the customers and suppliers with which it does business. It is against Company policy to enter into any type of agreement or understanding to do or refrain from doing business with a third party. Because refusals to do business often lead to litigation, Beaulieu employees should consult with Company counsel before deciding not to do business with a potential customer.

The Company's products are to be sold on their merits. No sale of Company products may be conditioned on a customer's agreement to purchase another of the Company's products or to refrain from purchasing the product of a competitor. Similarly, it is against Company policy to condition purchases on the agreement of a supplier to purchase the Company's products. Exclusive dealing arrangements with either customers or suppliers must be approved in advance by the Company's General Counsel.

Although a company is permitted to suggest to its customers resale prices and terms, antitrust law generally prohibits entering into any agreement, whether express or implied, with customers concerning the minimum prices or terms of resale. It is also generally illegal to require any customer to adhere to suggestions regarding minimum resale prices and terms as a condition of doing business. It is the policy of Beaulieu to comply with such restrictions. Under no circumstances may the Company require a customer to agree to minimum prices for the sale of its products. The Company's General Counsel should be consulted before the Company enters into any new distribution or supply agreement that differs in any respect from those previously approved.

Beaulieu treats its customers fairly. The prices charged for the Company's products and the promotional and advertising allowances it grants in connection with the sale of its products are determined according to legitimate and non-discriminatory business reasons. Because the laws prohibiting price discrimination are particularly complex, any departure from the Company's established prices, terms, or other policies must have prior written approval from the Company's General Counsel and should be carefully documented.

Professional and Trade Associations. Most trade association functions are perfectly lawful and may be valuable to the Company. For example, trade associations often collect and disseminate established data, provide a forum for the discussion of subjects of interest to the industry, and improve the industry's image. However, because trade association gatherings usually involve contacts with competitors, these meetings often pose antitrust risks.

Written approval of the Company's General Counsel is necessary before the Company may join any trade association. Before attending any trade association meeting for which an agenda has been published in advance, Beaulieu employees must submit the agenda to the General Counsel for prior approval.

No Beaulieu employee or representative shall participate in any trade association meeting that involves improper discussion of such topics as pricing and market allocation. If any such improper discussion arises, Beaulieu employees should immediately excuse themselves and report the discussion to the Company's General Counsel.

If a Beaulieu employee has concerns regarding possible anti-competitive practices, the employee should contact his or her supervisor, the Compliance Officer, or the Corporate Compliance Helpline (1-877-780-9372). Calls to the Helpline will be treated confidentially.

MARKETING, ADVERTISING, AND SALES

Beaulieu believes that providing accurate information about the Company's products is the most effective way to market them to current and potential customers. Beaulieu products are to be sold on their merits. The Company depends on its marketing, advertising, and sales staff to describe Beaulieu's products honestly and reliably.

No Beaulieu employee shall engage in any unfair or deceptive trade practices. This prohibition broadly covers misrepresentations of all sorts that are made in connection with sales, whether orally or in writing. All Beaulieu advertising and marketing materials must be truthful and not misleading. If a Beaulieu employee believes that a customer or potential customer misunderstood him or her, the employee should promptly correct the misunderstanding. Specific claims about Beaulieu's products must be made with a good faith basis and must be supportable. Beaulieu employees should not make comments about Beaulieu's competitors that would be disparaging, false, or misleading.

In negotiating contracts or preparing proposals, Beaulieu employees must be accurate and complete in all representations or statements made on the Company's behalf. Knowingly submitting a false or misleading proposal or other document to any client or vendor could result in serious civil and criminal liability for the employee and the Company.

If a Beaulieu employee has concerns regarding possible improper advertising, marketing, or sales practices, the employee should contact his or her supervisor, the Compliance Officer, or the Corporate Compliance Helpline (1-877-780-9372). Calls to the Helpline will be treated confidentially.

INTERNATIONAL SALES

The ability of U.S. companies and their international affiliates to sell goods in the world market is restricted by various federal laws and regulations. Trade embargoes and boycotts, customs laws and regulations, export control laws, and antiboycott laws all may restrict the Company's ability to sell or affect the manner in which the Company may sell its goods in particular countries outside the United States.

It is Beaulieu's policy to comply fully with all laws and regulations applicable to the international sale of its products. Beaulieu employees responsible for the sale of the Company's products outside the United States must be aware of applicable laws and regulations and of their implications for Beaulieu's business practices. Any requests made to Beaulieu to participate or cooperate in a particular boycott should be reported to the Company's General Counsel.

For rules governing gifts or payments to foreign officials, see **GIFTS, ENTERTAINMENT, AND GRATUITIES**, above.

If a Beaulieu employee has concerns regarding the propriety of the sale of Beaulieu's products outside the United States, the employee should contact his or her supervisor, the Compliance Officer, or the Corporate Compliance Helpline (1-877-780-9372). Calls to the Helpline will be treated confidentially.

CONFLICTS OF INTEREST

Beaulieu respects the rights of its employees to manage their own affairs and investments and does not wish to infringe upon their personal lives. Each Beaulieu employee, however, has a duty of loyalty to Beaulieu. All Beaulieu employees must avoid any conflict between personal interests and company interests in dealing with suppliers, customers, and all other corporations, companies, organizations, or individuals doing or seeking to do business with Beaulieu. As a general rule, it can be assumed that a conflict of interest exists if the outside interest could affect, or appear to affect, a person's judgment, performance, or motivation to perform for Beaulieu.

Beaulieu employees must avoid any associations or investments that could cause their loyalty to Beaulieu or their independent judgment to be questioned. Employees should disclose all potential conflicts of interest involving themselves or their immediate families to the Compliance Officer. The Compliance Officer will investigate these conflicts and determine the steps necessary to protect the Company.

If a Beaulieu employee has concerns about possible conflicts of interests involving other employees, the employee should contact his or her supervisor, the Compliance Officer, or the Corporate Compliance Helpline (1-877-780-9372). Calls to the Helpline will be treated confidentially.

INTELLECTUAL PROPERTY AND CONFIDENTIALITY

Like Beaulieu, other organizations have intellectual property and confidential business information that they seek to protect. It is the policy of Beaulieu to comply with all applicable laws and regulations governing the access to and use of such information.

Intellectual Property Rights. Copyright laws generally prohibit the copying, distribution, use, and display of a copyrighted work without the prior permission of the copyright owner. Beaulieu employees generally should not duplicate copyrighted articles, artwork, or video footage without appropriate authorization. In some instances, duplication or distribution will be permitted as fair use, but this is a very limited exception and will rarely justify external distribution of copies of copyrighted material. If you have any questions about whether a particular use of copies is permissible, you should consult with the Company's General Counsel.

Copyright laws also restrict the use of computerized software. Software products purchased by the Company are also covered by some form of licensing agreement that describes the terms, conditions, and allowed uses of the software. It is the policy of Beaulieu to comply fully with all such restrictions on its software use. Use or copying of computer software outside of those bounds is strictly prohibited.

Certain products and processes in our industry are protected by patents and trademarks. It is the policy of Beaulieu to take all reasonable steps to be aware of the intellectual property rights of its competitors and others and to avoid infringing on such rights.

Confidential Information. Beaulieu employees must respect the confidential and proprietary nature of business information. No Beaulieu employee should solicit or use any proprietary or confidential information belonging to another party unless the use of this information is expressly authorized. Beaulieu employees should not misuse or misappropriate another company's confidential information. If approached with an offer of confidential or proprietary information that you believe may have been obtained improperly, you should refer the matter to the Company's General Counsel. Information that is published or otherwise in the public domain or is independently developed is not considered to be proprietary.

Protection of Beaulieu's intellectual property and confidential information is essential to maintaining the Company's business success. Beaulieu employees should therefore take all

reasonable steps to protect the confidentiality of the Company's business, technology, finances, employees, compensation, business plans, products, services, pricing, research and development, marketing, and methodologies. All this information is confidential unless Beaulieu makes it available to the public or the information is clearly intended to be available outside Beaulieu. Employees may not disclose the Company's confidential information to anyone outside of Beaulieu, except to the extent necessary for conducting the Company's business.

Communications. Beaulieu makes available to its employees electronic mail, phone mail, computer systems, electronic media, and information resources. Beaulieu provides these resources for business use, and all rights relating to the use of these systems belong to Beaulieu. Access to and use of these systems must comply with Beaulieu policies, including the prohibition of unauthorized access. Because of the business necessity of accessing information, these systems are not designed to provide personal privacy for employee communications.

If a Beaulieu employee has concerns regarding a possible violation of the intellectual property or confidentiality rights of a third party or Beaulieu, the employee should contact his or her supervisor, the Compliance Officer, or the Corporate Compliance Helpline (1-877-780-9372). Calls to the Helpline will be treated confidentially.

WORKER SAFETY

Beaulieu is committed to continuing to provide a safe and healthy workplace for all of its employees. It is the policy of Beaulieu to provide for the occupational safety and health of its employees and to comply with all applicable safety codes, regulations, and laws.

Developing and maintaining a safe working environment requires the participation and cooperation of all Beaulieu employees. All employees are required to exercise due care in the course of their work to prevent injuries to themselves and others. All employees must comply with all applicable federal, state, and local laws and regulations relating to workplace safety and must adhere to Beaulieu's workplace safety policies. Employees who endanger themselves or others by violating workplace rules will be disciplined or discharged.

If a Beaulieu employee has concerns about unsafe working conditions, the employee should contact either the Plant Safety Coordinator, the Plant Manager, the Compliance Officer, or the Corporate Compliance Helpline (1-877-780-9372). Calls to the Helpline will be treated confidentially.

ENVIRONMENTAL SAFETY

Beaulieu is committed to continuing to protect the safety and health of not only its customers and workers, but also the communities in which it works. It is the policy of Beaulieu to take all reasonable steps to minimize the environmental impact of its business operations and to protect the natural resources of its host communities. It is also Beaulieu's policy to fully comply with all applicable environmental laws, regulations, and permits.

It is the responsibility of each Beaulieu employee to perform his or her individual functions in accordance with this policy. Beaulieu employees shall accurately and completely record all environmental data and shall respond promptly and professionally to any threat to human health or to the environment.

If a Beaulieu employee has concerns regarding improper or unsafe environmental practices, the employee should contact either the Plant Manager, the Compliance Officer, or the Corporate Compliance Helpline (1-877-780-9372). Calls to the Helpline will be treated confidentially.

HELPLINE

In order to provide employees with every avenue possible in which to raise their concerns, Beaulieu has established a Corporate Compliance Helpline (1-877-780-9372) for the use of Beaulieu employees. Calls to this Helpline will be treated confidentially. Beaulieu's Corporate Compliance Officer, assisted by the appropriate Department, will investigate all calls. Beaulieu prohibits any employee from retaliating against a Helpline caller.

5030 " 2132 " 40 " 66

LIST OF PHONE NUMBERS

Corporate Compliance Helpline

(877) 780-9372

Corporate Compliance Officer

(706) 275-4451, ext. 3404

Beaulieu General Counsel

(706) 272-7303

CERTIFICATE OF RECEIPT

I certify that I have received the Beaulieu Standards of Conduct and Compliance Handbook. I agree to comply with the terms of the Handbook, and I understand that violation of these terms may lead to disciplinary action, including termination.

SIGNATURE:

NAME (Print):

DEPARTMENT:

DIVISION:

DATE:

Return completed form to the Compliance Officer.